

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, JANUARY 27, 2010, 2:00 P.M.
Room W020, House Building, State Capitol Complex

Members Present: Sen. John Valentine, Co-Chair
 Rep. Melvin R. Brown, Co-Chair
 Sen. J. Stuart Adams
 Sen. Ross I. Romero
 Sen. Steven H. Urquhart
 Rep. Johnny Anderson
 Rep. Trisha S. Beck
 Rep. Bradley M. Daw
 Rep. Kay L. McIff
 Rep. Carol Spackman Moss
 Rep. Evan J. Vickers
 Rep. C. Brent Wallis
 Rep. R. Curt Webb
 Rep. Mark A. Wheatley

Staff Present: Spencer Pratt, Fiscal Manager
 Lorna Wells, Secretary

Public Speakers Present: Commissioner William A. Sederburg, State Board of Regents
 Associate Commissioner for Public Affairs, David L. Buhler
 Carson Howell, Analyst, Governor's Office of Planning and Budget
 Mason Bishop, SLCC, Vice President Institutional Advancement
 Anthony W. Morgan, Utah Board of Regents
 Pres. Scott Wyatt, Snow College
 Pres. Ann Millner, Weber State University
 Pres. Stan Albrecht, Utah State University
 Pres. Michael King, College of Eastern Utah
 Pres. Robert Brems, UCAT
 Brian Foisy, UCAT VP Finance & Administrative Services

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Call to order - Committee Co-Chair Valentine called the meeting to order at 2:27 p.m.
2. Approval of minutes of 1/12/10 and 1/20/10. Rep Daw made motion to approve the minutes of 1/12/2010 and 1/20/2010. The motion carried unanimously.
3. Subcommittee Budget Overview - Spencer Pratt explained the sections and handouts placed in the appropriations binder given to each Subcommittee member. He reported that all of the information is also available online at <http://www.le.utah.gov/asp/lfa/lfareports.asp?com=APPHEd>

Rep. Vickers asked whether there was any prioritization as far as the 2% budget reduction was concerned. Mr. Pratt answered that the EAC approved all line items for FY 2011 at 98% of the FY 2010 ongoing budget.

Sen. Valentine relinquished the chair to Rep. Brown.

4. Governor's Budget Recommendations - Carson Howell presented a packet prepared by the Governor's office. He reminded the committee of the Governor's 3% Budget Cut by Executive Order. He mentioned adjustments that were made to specific Higher Education institutions on Pages 95-98 of the handout. Mr. Howell also reported that the Governor is recommending funding the backfill for FY 2011 that was appropriated last year. He reported that there is a large discrepancy between the Executive Appropriations Committee (EAC) and the Governor's Budget for FY 2011 for Higher Education.

Rep. Beck asked for clarification about refunding the backfill. Mr. Howell said that the backfill was a one-time restoration. The recommendation from the Governor's office is to have that backfill restored. Mr. Wheatley asked where the \$61 million would come from. Mr. Howell stated that there would be several sources, one would be the rainy day fund as well as a portion from the ARRA fund. Approximately \$18.8 million is ARRA money that is being transferred from FY 2010 to FY 2011.

Rep. McIff asked if the Governor's Office was quite confident regarding the revenue numbers. Mr. Howell reported that these are the consensus revenue numbers that were given. Adjustments will have to be made once the February numbers are available.

Rep. Brown asked who made up the consensus committee. Mr. Howell said that it is the same consensus committee that the Legislature uses. The difference comes in the approach that is being used. Rep. McIff asked if the Governor is planning to use \$166 million of rainy day funds and \$31 million from the education reserve. Mr. Howell stated that he didn't have the exact amounts. He will give this information to the Committee. Mr. Pratt agreed that the on-going revenue numbers are the same. The discrepancies come because the Governor's office is using rainy day funds and is also not using the \$100 million capital gains tax as an one-time fund, but rather as ongoing funding.

5. Introduction of S.B. 1, FY 2011 Base Budget Bill Mr. Pratt explained S.B. 1, Base Budget Bill for FY 2011 is 98% of the ongoing state appropriation for FY 2010. He explained that it will not be the final budget, but in order for the state to continue, a budget bill must be passed early in the session.
6. Discussion on FY 2011 Base Budget Bill, including 5% reduction list of options. Commissioner Sederburg reported to the Committee as assigned regarding the additional 5% cuts. He discussed the fact that not replenishing the 8% backfill and placing an additional 5% cut amounts to a 13% budget cut. The additional cuts would mean \$6 million beyond the Governor's budget. There would need to be supplemental funding for the New Century Scholarship. He made comparisons of past state appropriations for Higher Education. Com. Sederburg mentioned the news report that said state funding had increased by 67% over the past decade is only true if tuition is included. State funding has actually only increased by 24% over the past decade. He discussed the decrease in the past two years in per student funding. He explained the USHE approach to budget cuts. He distributed a chart that shows an additional 13% cut would mean 3,764 sections that would be cut, 9,410 FTE students (15,056 headcount), 619 faculty, 761 staff would have to be cut. Com. Sederburg also mentioned that these cuts do not include enrollment growth.

Rep. Beck asked for clarification on the differences in cuts per institution. Com. Sederburg replied that each institution reported where budget cuts would be made. Rep. Wheatley asked for clarification about the 182 faculty positions at SLCC. Mason Bishop said that the one-time backfill allowed SLCC to hire adjunct faculty to cover the enrollment growth. If the backfill is eliminated, these positions would be eliminated. This number includes adjunct and full-time faculty.

Rep. Wallis asked what would be the national average for enrollment growth during the economic downturn. Com. Sederburg reported the national average enrollment growth is about 2.3% in a more normal economy. Rep. Brown asked about the projected enrollment growth for next year. He also asked what the average growth would be in a good economy. Com. Sederburg said that if the economy is still quite sluggish, the enrollment growth will be about the same. If the economy improves, the enrollment growth would not be quite as great.

Rep. McIff asked if SLCC is impacted more than other institutions because of economic conditions. Com. Sederburg reported that every school is quite different, certain institutions are more sensitive to the economy.

Rep. Beck asked for more clarification about SLCC. If SLCC is the school that students can apply and get into, what would happen if they can enroll, but now they can't get the specific courses they need. Mr. Bishop said that some will not enroll, others will take other available courses, many will have to delay graduation.

Com. Sederburg stated that it is very important to ensure a quality of education and also to maintain accreditation standards. With the budget cuts, scholarships would have to be reduced. With a 13% budget cut, it would probably be necessary to declare a state of financial exigency at the College of Eastern Utah. Rep. Brown asked for clarification about financial exigency. Regent Morgan reported that financial exigency allows institutions to make budget cuts and override all tenure policies and other policies. This declaration sends a message that the institution is in serious financial trouble, which results in very negative impacts on the institution, the state, and their ability to recruit and retain qualified faculty. Rep. McIff appreciated the candor of this report and the extremely detrimental impact of these budget cuts. Com. Sederburg asked the Committee to support the Governor's budget, and to continue to allow the presidents the flexibility to manage these budget cuts.

Rep. Moss asked for more clarification about the numbers of sections that would have to be eliminated across the institutions. Com. Sederburg stated that the significance of the impact would be great. The access mission for many of the institutions would be greatly diminished.

Pres. Scott Wyatt from Snow College reported that budget cuts impact each institution differently. He emphasized that Snow College will not have to declare financial exigency. The issue isn't how much can be cut, it is to what extent can they assist in meeting individual and state goals. Snow has cut three staff members for every faculty member. All of the athletic coaches are part-time. This has placed a great deal of stress on the staff members to try and meet the needs of these students. This pressure cannot be sustained year after year. The next series of cuts will have to hit faculty extremely hard, any additional cuts would have to be 9 faculty to 1 staff member. With additional cuts, they would have to eliminate five to six programs.

Sen. Valentine resumed the chair.

Rep. Beck asked if Ephraim would suffer an economic hardship if there was a decrease in students because of a soft enrollment cap. Pres. Wyatt explained that Snow grew 24% last fall and will probably grow 20% next fall. Housing in Ephraim is full and people are building additional housing. Pres. Millner from Weber State University reported that last year most of the cuts were made on the staff side not the faculty side. Weber State will have to cut faculty, classes, sections, etc. More students will not get the courses they need, and it will cost students more tuition dollars to continue. When graduation is delayed, the cost to the state increases. Caps may be imposed just because

sections cannot be offered. Utah students will not be served. Long range implications mean that students are not prepared as companies need employees with these skills. She discussed some possible new jobs that are being created, but they will need a skilled and talented workforce. Weber State can't respond to these needs with additional cuts.

Pres. Stan Albrecht from Utah State University discussed enrollment growth at Utah State University. He discussed the impact of a 22% cut. He explained that this cut would mean 24,648 fewer seats available. Because staff took a large share of the cuts in the last budget reduction, the faculty cuts would have to shift to 60%. There are no more open positions to cut, no more voluntary separations, and increased tuition cannot be used to overcome these budget cuts. He discussed the impacts on students and the impacts on research. He reported that in spite of the national economic downturn, many other states are using this as opportunity to increase funding in higher education. Other states realize that investing in higher education can produce positive impacts on state budgets.

Pres. Michael King from College of Eastern Utah discussed the earlier comments regarding financial exigency. At this point, CEU has been able to handle the cuts, they would have to eliminate as many as three additional programs. To declare financial exigency would be the last resort because of the negative connotations. CEU also discussed the 12% enrollment growth in the Fall and up 16% from two years ago in the Spring. He discussed the current success at the San Juan campus; additional cuts could possibly mean closing this campus. Students in the four corners area would perhaps go to another state. Pres. King reported that closing CEU is not the answer to the problem, the partnership with Utah State is a much better solution.

Sen. Valentine asked that if financial exigency absolutely had to be declared, would it be better to declare it before or after the proposed merger with Utah State University?

Pres. King would definitely not want to declare it before the Utah State merger. They are currently planning to make the cuts without declaring financial exigency.

Com. Sederburg expressed thanks to committee members. He summarized the impact of additional budget cuts. He also asked the public to speak out to the Legislature. He also stated that the Commissioner's Office is in favor of the Governor's plan.

Sen. Valentine reported that there are a few aspects in the Governor's plan that have significant opposition. Sen. Valentine asked for hard copies of the slides and materials from the Commissioner's Office and Pres. Albrecht.

Pres. Brems from UCAT introduced the eight presidents for the UCAT campuses. He distributed a handout regarding the additional required budget cuts. Mr. Foisy explained these cuts in more detail. Reductions in program scheduling may impact the student's ability to enroll in a program.

Rep. Wallis asked if there are students on waiting lists. Pres. Brems reported that there are students who are waiting for certain programs. Rep. Wallis also asked about the availability of jobs. Pres. Brems said that employment in the welding industry has actually increased. UCAT is definitely a pipeline to employers.

7. Other Business. Rep. Wallis discussed the problems USHE is having with budget cuts at the same time dealing with large enrollment growth.

MOTION: Rep. Wallis made the following motion. I move that the Higher Education Appropriations Subcommittee respectfully decline to provide the 5% potential reduction list and further request that the 98% FY 2011 base budget be restored to 100% as an acknowledgment of the extra strain that the student enrollment growth is having on the Utah System of Higher Education.

Sen. Urquhart made a substitute motion.

SUBSTITUTE MOTION: Along with the committees' report on how to handle the 5% cut, the committee recommend to EAC that significantly lesser cuts, if any cuts at all, be made to the higher education budget because of the disproportionately big cuts that higher education has already experienced because of significant student enrollment growth and because of the disproportionately severe impact that future cuts to higher education will have to Utah's long-term economic well-being.

Rep. Wallis appreciated the background of not wanting to abdicate the responsibility of the Subcommittee. He would support the substitute motion. Rep. McIlff and Rep. Beck asked for clarification on the motion. Sen. Urquhart provided clarification that the Higher Education Subcommittee is a Subcommittee of the EAC. It is important to note that the EAC gave the 5% budget cut as a directive to the Subcommittee.

Sen. Romero and Rep. Moss spoke against the motion. As members of the EAC, they will vote against further cuts to Higher Education. Rep. Anderson discussed the future viability of the committee if the original motion was passed. Rep. Daw spoke in favor of the substitute motion. Rep. Brown also supported the idea of the substitute motion but thought it might be helpful to look at the motion and make sure it states the exact wishes of the Committee.

Sen. Urquhart withdrew the substitute motion. He also requested that the public make their opinions known to their own Legislators.

MOTION: Rep. Daw moved to adjourn.

Committee Co-Chair Valentine adjourned the meeting at 4:50 p.m.

Minutes were reported by Lorna Wells, Secretary.

Sen. John Valentine, Committee Co-Chair

Rep. Melvin R. Brown, Committee Co-Chair